

The enterprise zone building materials exemption allows retailers located in the municipality or unincorporated area of a county that has established an enterprise zone to make tax-free sales of building materials that will be incorporated into real estate located in the enterprise zone. 86 Ill. Adm. Code 130.1951. (This is a GIL.)

December 31, 1998

Dear Mr. Xxxxx:

This letter is in response to your letter dated June 30, 1998. The nature of your letter and the information you have provided require that we respond with a General Information Letter which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 86 Ill. Adm. Code 1200.120(b) and (c), enclosed.

In your letter, you have stated and made inquiry as follows:

This letter is a request for clarification as to the tax exemptions related to a City of CITY 'Enterprise Zone.' My company, COMPANY, is currently involved in a construction project for a reinforced concrete cement storage silo in CITY, Illinois. The project is located within the City of CITY, Enterprise Zone # and is entitled to an exemption on city and state sales tax for all construction materials that are going to become permanently affixed to the property and are purchased within the City of CITY corporate limits. Attached is a copy of the August 28, 1997 letter from PERSON, Enterprise Zone Program Manager.

It is apparent that my company will not be able to purchase all material for the project within the city limits of CITY. The question I have asked the Illinois Department of Revenue, Tax Payer Information Office and PERSON is that if the material is purchased outside of CITY but within the state of Illinois, is the material subject to a state tax? Neither office was able to answer that question and referred me to you. It is my understanding that 5% of the 8.75% sales tax in CITY is state tax.

Of the people I have spoken with, the general consensus was that since the Enterprise Zone is a joint effort between the City of CITY and the State of Illinois, the state sales tax is likely to be exempt if the materials are purchased in Illinois. Unfortunately, no one was sure how to obtain this status and/or how to break out the sales tax.

After your review of this letter and the enclosed letter from Ms. Johnson, please give me a call to discuss my next step. My phone number is ####. If I am unavailable, you may also discuss this with

PERSON2 of this office. This project is currently underway and a timely response to this letter would be greatly appreciated.

Thank you for your attention to this matter.

Please find enclosed a copy of 86 Ill. Adm. Code 130.1951 concerning Enterprise Zones. The enterprise zone building materials exemption allows retailers located in the municipality or unincorporated area of a county that has established an enterprise zone to make tax-free sales of building materials that will be incorporated into real estate located in the enterprise zone. In order for the enterprise zone building materials exemption to be properly claimed, it must be shown that qualifying building materials were purchased from a retailer located in the jurisdiction that created the enterprise zone into which the building materials will be incorporated. However, when persons purchase building materials from suppliers outside the enterprise zone, the exemption does not apply and such purchases are subject to State and applicable local taxes.

I hope this information is helpful. If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of the enclosed copy of Section 1200.110(b).

Very truly yours,

Gina Roccaforte
Associate Counsel

GR:msk
Enc.